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ABSTRACT

Efforts of the Department of Health and Human Services (DHHS) to reduce the delinquency rate in the Health Professions and Nursing Student Loan programs are described. The following activities have been implemented: provision of technical assistance to schools, modifications of the loan program regulations, proposed legislative amendments, liaison with financial aid and fiscal officers to update them on regulation/legislation changes and program policy, a revision of "Student Financial Aid Guidelines," and identification of federal employees who have delinquent student loans. The Annual Operating Report for the period ending June 30, 1983, was revised to reflect changes in new regulations and program policy and to monitor more closely the progress of schools in their efforts to lower delinquency rates. DHHS is unwilling to impose on schools the penalty provided for them in the current regulations, until a policy decision is made as to how the delinquency rate will be calculated. Data are presented that show dollar delinquency rates in 1981 and 1982 when a loan was delinquent if a payment was 90 or more days overdue, and in 1983 when a loan was delinquent if a payment was 60 or more days overdue. The data indicate that considerable progress among the schools has been made in reducing their loan delinquency rates. (SW)

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

PUBLIC HEALTH SERVICE

HEALTH RESOURCES AND SERVICES ADMINISTRATION

PROGRESS REPORT ON EFFORTS TO REDUCE DELINQUENCY RATE IN THE HEALTH PROFESSIONS STUDENT LOAN AND NURSING STUDENT LOAN PROGRAMS

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February 6, 1984

Progress Report on Efforts to Reduce the
Delinquency Rate in the Health Professions Student Loan
and Nursing Student Loan Programs

Statutory citation requiring the report

Report No. 98-357, pp 25-26, House of Representatives, 98th Congress, 1st Session, states that "The Committee is aware of and supportive of continued efforts to reduce the default and delinquency rates in this and other health professions programs. The Committee expects to receive a report on the progress of this effort prior to the submission of the Fiscal Year 1985 budget."

Introduction

Since October 1, 1982, the Department of Health and Human Services has continued its efforts to reduce the delinquency rate in the Health Professions and Nursing Student Loan programs. Current activities represent the continued implementation of a comprehensive Action Plan that went into effect shortly after the December 8, 1981, hearings held by the Senate Committee on Governmental Affairs. Seven months later the same Committee again held hearings on the student loan delinquency issue and expressed pleasure in the progress made in so short a period of time. Substantial progress in reduction of the delinquency rate continues to be made through the implementation of the following activities:

Provision of Technical Assistance to Schools

To help schools improve their debt collection and debt management activities, 355 assessment site visits were completed in Fiscal Year 1982. An additional 356 assessments were completed in Fiscal Year 1983. In addition, during Fiscal Year 1983, technical assistance site visits were made to 10 health professions and 29 nursing schools which received specific assistance with respect to accounting systems, billing procedures, cash flow, procedures for properly aging accounts and other financial management areas. Both the assessment and accounting technical assistance will be continued in 1984.

Modification of Health Professions Student Loan and Nursing Student Loan Regulations

Final Health Professions Student Loan (HPSL) regulations were published June 3, 1983, in the Federal Register and became effective as of the publication date. These regulations require stronger recordkeeping and collection procedures and establish a performance standard against which a school's delinquency rate will be measured. The performance standard requires each school to achieve a delinquency rate no greater than 5 percent by June 30, 1983. For schools that were unable to reach the performance standard by June 30 of 1983 or any June 30 thereafter, the new regulations establish a series of performance check-points with which the schools must comply in order to continue participating in the HPSL program.

The due diligence section of the regulations was revised to require that, in the exercise of due diligence, in addition to other measures used, schools must:

1) use collection agents;
2) use litigation when appropriate; and
3) notify credit bureaus of accounts overdue more than 120 days when appropriate.

In order to receive write-off approval for an uncollectible loan, a school must include evidence of the application of these three collection tools as part of the due diligence documentation.

On June 3, 1983, the Department also published in the Federal Register a Notice of Proposed Rulemaking (NPRM) for the Nursing Student Loan (NSL) program. As part of the NPRM, the Department has proposed the requirement that schools meet a 5 percent performance standard on loan delinquency rates in order to continue participation in the NSL program. The final regulation is under development.

One of the concerns expressed by schools and professional associations was the need for specific detail to enable the schools to comply with the due diligence requirements. A 10-step procedure is now being developed in response to those concerns for publication in the Federal Register as a NPRM for both the HPSL and NSL programs.

Legislative Amendments Proposed

To further assist schools in their debt collection and management activities, three legislative amendments have been proposed which would provide:

1) authority to use addresses from tax records in locating delinquent borrowers (introduced in S. 1567, June 29, 1983);

2) authority to refer uncollectible loans to the Department of Health and Human Services for collection (introduced in S. 963, March 24, 1983), and

3) authority to increase the penalty charge for a late payment to an amount which "... may not exceed the most recent rate for 91-day Treasury bills, plus costs of collection" (introduced in S. 963, March 24, 1983);

Publication of 1983 Delinquency Data

HPSL and NSL programs are generally continuing to make progress in reducing delinquency levels as reflected in the following table. It shows dollar delinquency rates in 1981 and 1982 when a loan was delinquent if a payment was 90 or more days overdue, and in 1983 when, as now, a loan was delinquent if a payment was 60 or more days overdue.

Liaison with Associations

Liaison with financial aid and fiscal officers to update them on changes in regulations, new legislation and program policy is a continuing activity. Department staff participated in 24 meetings through the end of September 1983. Among the action steps emphasized at these meetings were the review of and compliance with guidelines on determination of excess cash; compliance with due diligence procedures; use of collection agencies and audit requirements. Staff also met with members of health professions associations on May 11, and June 15, 1983 to discuss the impact of the modified AOR reporting requirements and the new HPSL regulations.

Revision of Student Financial Aid Guidelines

A major revision of the Student Financial Aid Guidelines was initiated in June 1983, to incorporate new program policy. The revised guidelines will reflect the new regulations and are expected to substantially improve the debt collection and management activities of the schools. It is anticipated that the revision will be completed within the coming year. In calendar year 1984 a series of 10 to 12 workshops will be held across the United States to acquaint school officials with the new guidelines and help them in their efforts to implement program requirements.

Delinquent Federal Employees

Staff of the Department's Inspector General (OIG) visited 37 medical institutions and 45 nursing schools in early 1982 and identified delinquent borrowers. As a result of a match of Social Security Account Numbers with employment records of 23 departments and agencies, 1,568 of the delinquent borrowers were identified as Federal employees.

Between August 15, 1983, and September 28, 1983, Department staff verified the current delinquency status of the Federal employees. The verification determined that of the 1,568 delinquent borrowers identified by the OIG, 753 remain delinquent.

One hundred and eighty-eight of the 1,568 delinquent borrowers were employed by HHS. As a result of previous Department efforts, only 24 employees remain delinquent as of February 1, 1984. Information on non-HHS delinquent employees has recently been forwarded to the appropriate agencies for followup action.

Disciplines	90 day 1981	90 day 1982	60 day 1983
Total	12%	9%	7%
HPSL			
medicine	12	9	7
osteopathy	6	6	8
dentistry	11	8	7
optometry	14	9	8
pharmacy	13	10	10
podiatry	22	20	18
veterinary	7	4	4
Total	20%	16%	20%
NSL			
associate	27	24	31
diploma	16	12	17
baccalaureate	18	13	16
graduate	18	9	8
Aggregate Delinquency Rate -- All Professions	15%	11%	11%

The figures, given above, show that there has been considerable progress among the schools in reducing their loan delinquency rates. In fiscal 1981, for example, 15 percent of dollars were delinquent more than 90 days; in 1982, 11 percent were delinquent more than 90 days. In 1983, delinquency was calculated at only 60 days, and 11 percent of dollars were delinquent more than 60 days.

Modification to Reporting System

The Annual Operating Report (AOR) for the period ending June 30, 1983 was revised to reflect changes in new regulations and program policy that now make it possible for the Department to monitor more closely the progress of schools in their efforts to lower delinquency rates. Since October 1, 1982 schools have also been required to submit Quarterly Debt Management Reports which enable the Department to evaluate more promptly the performance of schools, especially those with high delinquency rates and large cash balances.

One hundred and twenty-three HPSL programs were placed in probationary status because they did not achieve the 5 percent delinquency level required by the regulations. Originally, these schools were required to achieve the 5 percent level, or make a 50 percent reduction in their June 30 level by December 31, 1983, in order to avoid suspension from the program. Suspended schools can disperse no loan funds.

The recent action taken by the Secretary to grant a 12-month extension before imposing penalties against health professions schools not meeting the performance standard was taken because the Department is still considering comments received in response to a June 3, 1983 proposal to revise the way a school's delinquency is calculated. Until these comments have been fully evaluated and a policy choice made as to how the delinquency rate will ultimately be calculated, the Secretary is unwilling to impose upon schools the penalty provided for in the current regulations.